

WINNEBAGO COUNTY
Forest City, Iowa

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004

WINNEBAGO COUNTY
Forest City, Iowa

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WINNEBAGO COUNTY
Forest City, Iowa

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gorden Anderson	Board of Supervisors	January 2005
Robert Joynt	Board of Supervisors	January 2007
Douglas Yeager	Board of Supervisors	January 2007
Robert D. Paulson	Auditor	January 2005
Ruth Bachman	Treasurer	January 2007*
JoAnn Bartleson	Recorder	January 2007
Thomas Lillquist	Sheriff	January 2005
Lowell Ouverson	Assessor	Appointed
Robert Cooper	Attorney	January 2007

*Ruth Bachman – Retired, Judy Harringa – Appointed

Independent Auditors' Report

To the Officials of Winnebago County
Forest City, Iowa

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Winnebago County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Winnebago County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 13 to the financial statements, during the year ended June 30, 2004, Winnebago County adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Independent Auditors' Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued our reports dated May 5, 2005 on our consideration of Winnebago County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 - 9 and 35 - 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Winnebago County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

May 5, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Winnebago County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 13%, or approximately \$1,060,696, from fiscal 2003 to fiscal 2004. Property tax increase approximately \$217,190, operating grants, capital grants and contributions decreased approximately \$183,807.
- Program expenses were 7%, or approximately \$650,233, less in fiscal 2004 than in fiscal 2003. Roads and transportation expense decreased approximately \$481,610.
- The County's net assets increased 9%, or approximately \$771,864 from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Worth County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Worth County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue and the individual Agency Funds.

Reporting the County's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which

is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration or general government, interest on long-term debt and other non-program activities. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Funds. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, Employee Group Health Insurance Account. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for E911 services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Winnebago County's combined net assets increased from a year ago, from \$8.95 million to \$9.73 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)	
	2004
Current and Other Assets	\$7,724
Capital Assets	6,961
Total Assets	14,685
Long-Term Debt Outstanding	1,318
Other Liabilities	3,641
Total Liabilities	4,959
Net Assets:	
Invested in Capital Assets, Net of debt	6,618
Restricted	1,805
Unrestricted	1,303
Total Net Assets	\$9,726

Net assets of the Winnebago County's governmental activities increased by 9% (\$8.95 million compared to \$9.73 million). The largest portion of the County's net assets is the invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraint established by debt covenant, enabling legislation or other legal requirements was \$1,303,000. The unrestricted net assets did not change materially during the fiscal year ended June 30, 2004.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)	
Program Revenues:	
Charges for Service	\$1,181
Operating Grants, Contributions and Restricted Interest	2,984
Capital Grants, Contributions and Restricted Interest	912
General Revenues:	
Property Taxes	3,147
Penalty and Interest on Property Tax	24
State Tax Credits	184
Local Option Sales Tax	278
Unrestricted Investments Earnings	41
Other General Revenues	304
Total Revenues	9,055
Program Expenses:	
Public Safety and Legal Services	1,113
Physical Health and Social Services	646
Mental Health	1,321
County Environment and Education	633
Roads and Transportation	2,724
Government Services to Residents	350
Administration or General Government	823
Non-program	655
Interest on Long-Term Debt	18
Total Expenses	8,283
Increase in Net Assets	772
Net Assets – Beginning of Year	8,954

The results of governmental activities for the year resulted in Winnebago County's net assets increasing by approximately \$772,000. Revenues for governmental activities increased by approximately \$1,060,691 over the prior year, with property tax revenue up from the prior year by approximately \$217,190.

The County increased property tax rates for 2004 by an average of 3.84%. This increase raised the County's property tax revenue by approximately \$217,190 in 2004. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$15,764 next year.

The cost of all governmental activities this year was \$8,283,663 compared to \$8,933,896 last year. However, as shown in the Statement of Activities on page 11, the amount taxpayers ultimately financed for these activities was only \$3.1 million because of the cost was paid by those directly benefiting from the programs \$(1,180,994) or by other governmental and organizations that subsidized certain programs with grants and contributions \$(3.9 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from approximately \$8.0 million to \$9.1 million. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3.1 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUNDS

As Winnebago County completed the year, its governmental funds reported a combined fund balance of \$3.851 million, an increase of more than \$381,368 above last year's total of \$3.470 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a decline of \$211,897 from the prior year to \$740,177.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled approximately \$1,319,996, an increase of 3% from the prior year. The Mental Health Fund balance at year end decreased by approximately \$14,747 over the prior year.
- Secondary Roads Fund expenditures increased by approximately \$895,120 over the prior year, due principally to a new bridge, paving the road to the ethanol plant, and flooding. The Secondary Roads Fund ending balance decreased approximately by \$29,311.
- The Debt Service Fund ending balance increased by approximately \$208,384.
- During the year ended June 30, 2004, the County had proceeds of issuance of drainage warrants of \$622,911 increasing the Drainage fund balance by approximately \$220,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, Winnebago County amended its budget one time. The amendment was made in May 2004, and resulted in an increase in budgeted disbursements related to Debt Service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, Winnebago County had approximately \$7.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of approximately \$1,055,116 or 18% over last year. (This increase includes infrastructure not previously reported).

Capital Assets at Year End of Governmental Activities
(Expressed in Thousands)

	2004
Land	\$702
Buildings and Improvements	3,128
Equipment	2,026
Infrastructure	59
Construction in Process	1,046
Total	<u>\$6,961</u>
This year's major additions include (expressed in thousands)	
Buildings	\$231
Equipment and Vehicles	316
Construction in Process - Resurfacing	960
	<u>\$1,507</u>

The County had depreciation expense of \$492,043 for the year ended June 30, 2004 and total accumulated depreciation of \$3.513 million at June 30, 2004.

The County's fiscal year 2004 capital budget included \$529,000 for capital projects, principally for continued upgrading of secondary roads and bridges. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long – Term Debt

At June 30, 2004, Winnebago County had approximately \$1.32 million in general obligation notes and other debt outstanding compared to approximately \$869,000 at June 30, 2003, as shown below.

Outstanding Debt at Year-End of Governmental Activities
(Expressed in Thousands)

	2004	2003
General Obligation Notes	\$357	\$415
Capital Lease Purchase Agreements	24	0
Drainage Warrant and Improvement Certificates	758	293
Compensated Absences	179	161
	<u>\$1,318</u>	<u>\$869</u>

Debt increased as a result of issuing drainage warrants.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Winnebago County's outstanding general obligation debt is significantly below its constitutional debt limit of \$21.3 million. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Winnebago County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. The County's non-agricultural employment has averaged a decrease of 0.9% from 1999-2004. The population has mirrored the non-agricultural employment decline from 1999-2004 by averaging a 1% decrease in the county population. Unemployment in the County now stands at 3.5% versus 3.5% a year ago which shows no change. This compares with the State's current unemployment rate of 4.5% and the national rate of 5.2%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2004 compared with the national rate of 3.4%. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$8,102,750, a decrease of 7.4% under the final 2004 budget. Budgeted disbursements are expected to decrease by approximately \$241,779. The County has added no major new programs or initiatives to the 2005 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Winnebago County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Winnebago County Auditor's Office, 126 South Clark Street, Forest City, Iowa.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities
ASSETS	
Cash & Pooled Investments	\$3,439,104
Receivables	
Property Tax	
Delinquent	25,908
Succeeding Year	3,160,159
Interest & Penalty On Property Tax	945
Accounts	129,631
Accrued Interest	3,527
Drainage Assessments	36,323
Due From Other Governments	298,119
Inventories	574,570
Prepaid Insurance	55,471
Capital Assets (Net of Accumulated Depreciation)	6,961,118
TOTAL ASSETS	14,684,875
LIABILITIES	
Accounts Payable	299,083
Accrued Interest Payable	42,076
Salaries & Benefits Payable	26,183
Due To Other Governments	114,123
Deferred Revenue	
Succeeding Year Property Tax	3,160,159
Long Term Liabilities	
Portion Due Or Payable Within One Year	
Capital Lease Purchase Agreement	11,881
Notes and Contracts	331,954
Compensated Absences	178,569
Portion Due Or Payable After One Year	
Capital Lease Purchase Agreement	12,396
Notes and Contracts	25,279
Drainage Improvement Certificates Payable	757,508
TOTAL LIABILITIES	4,959,211
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	6,617,527
Restricted For:	
Mental Health Purposes	132,566
Secondary Roads Purposes	1,219,424
Debt Service	206,640
Drainage Warrants/Improvements	(631,347)
Other Purposes	878,259
Unrestricted	1,302,595
TOTAL NET ASSETS	\$9,725,664

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions, & Restricted Interest	
GOVERNMENTAL ACTIVITIES:					
Public Safety & Legal Services	\$1,112,790	\$225,715	\$44,950	\$ 0	\$(842,125)
Physical Health & Social Services	646,385	348,489	95,885	0	(202,011)
Mental Health	1,321,407	3,090	933,950	0	(384,367)
County Environment & Education	633,372	19,277	215,314	15,155	(383,626)
Roads & Transportation	2,723,688	23,639	1,687,348	896,625	(116,076)
Governmental Services to Residents	350,294	219,239	0	0	(131,055)
Administrative Services	822,546	141,061	6,441	0	(675,044)
Capital Projects	0	52,960	0	0	52,960
Non-Program	655,277	147,524	0	0	(507,753)
Interest on Long-Term Debt	17,904	0	0	0	(17,904)
TOTAL	\$8,283,663	\$1,180,994	\$2,983,888	\$911,780	(3,207,001)
GENERAL REVENUES:					
Property and Other County Tax Levied For:					
General Purposes					3,147,366
Penalties & Interest on Property Tax					23,710
State Tax Credits					183,807
Local Option Sales Tax					277,657
Unrestricted Investment Earnings					41,134
Miscellaneous					188,652
Gain on Disposal of Capital Assets					116,539
TOTAL GENERAL REVENUES					3,978,865
CHANGE IN NET ASSETS					771,864
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 13)					8,953,800
NET ASSETS END OF YEAR					\$9,725,664

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

		Special Revenue	
	General	Mental Health	Rural Services
ASSETS			
Cash and Pooled Investments	\$579,364	\$166,647	\$514,386
Receivables			
Property Tax			
Delinquent	14,710	3,567	7,631
Succeeding Year	1,686,839	409,000	940,400
Interest & Penalty on Property Tax	945	0	0
Accounts	70,336	54,287	0
Accrued Interest	2,813	0	0
Drainage Assessments	0	0	0
Due From Other Funds	8,262	0	0
Due From Other Governments	94,947	49,035	251
Inventories	0	0	0
Prepaid Insurance	40,011	0	0
TOTAL ASSETS	\$2,498,227	\$682,536	\$1,462,668
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$38,849	\$35,677	\$4,530
Interest Payable	0	0	0
Salaries & Benefits Payable	4,301	89	2,597
Due To Other Governments	3,783	91,520	0
Deferred Revenue			
Succeeding Year Property Tax	1,686,839	409,000	940,400
Other	24,278	3,503	7,631
Total Liabilities	1,758,050	539,789	955,158
Fund Balances			
Reserved For:			
Inventories	0	0	0
Debt Service	0	0	0
Unreserved, Reported In:			
General Fund	740,177	0	0
Special Revenue Funds	0	142,747	507,510
Total Fund Balances	740,177	142,747	507,510
TOTAL LIABILITIES AND FUND BALANCES	\$2,498,227	\$682,536	\$1,462,668

See Notes To Financial Statements

Exhibit C

<u>Special Revenue</u>			
Secondary Roads	Debt Service	Non-major Special Revenue	Total
\$807,659	\$208,384	\$993,467	\$3,269,907
0	0	0	25,908
0	0	123,920	3,160,159
0	0	0	945
1,641	0	3,367	129,631
0	0	714	3,527
0	0	36,323	36,323
0	0	0	8,262
135,324	0	18,562	298,119
574,570	0	0	574,570
15,460	0	0	55,471
<u>\$1,534,654</u>	<u>\$208,384</u>	<u>\$1,176,353</u>	<u>\$7,562,822</u>
\$212,353	\$ 0	\$7,674	\$299,083
0	0	40,332	40,332
19,189	0	7	26,183
18,820	0	0	114,123
0	0	123,920	3,160,159
0	0	36,323	71,735
<u>250,362</u>	<u>0</u>	<u>208,256</u>	<u>3,711,615</u>
574,570	0	0	574,570
0	208,384	0	208,384
0	0	0	740,177
709,722	0	968,097	2,328,076
<u>1,284,292</u>	<u>208,384</u>	<u>968,097</u>	<u>3,851,207</u>
<u>\$1,534,654</u>	<u>\$208,384</u>	<u>\$1,176,353</u>	<u>\$7,562,822</u>

**WINNEBAGO COUNTY
Forest City, Iowa**

**RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2004**

Total Governmental Fund Balances (page 12-13) \$3,851,207

***Amounts reported for governmental activities in the Statement of Net Assets
are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$10,474,268 and the accumulated depreciation is \$3,513,150. 6,961,118

Other long term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 71,735

The Internal Service Fund is used by management to charge the costs of self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 160,934

Long-term liabilities, including capital lease purchase agreements payable, notes payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,319,330)

Net Assets of Governmental Activities (page 10) \$9,725,664

See Notes to Financial Statements.

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	General	Special Revenue	
		Mental Health	Rural Services
REVENUES			
Property & Other County Tax	\$1,713,157	\$344,210	\$958,188
Interest & Penalty on Property Tax	23,710	0	0
Intergovernmental	380,154	958,130	51,919
Licenses & Permits	3,188	0	540
Charges for Services	471,504	0	0
Use of Money & Property	38,796	0	0
Miscellaneous	141,839	2,909	874
Total Revenues	2,772,348	1,305,249	1,011,521
EXPENDITURES			
Current:			
Public Safety & Legal Services	999,091	0	0
Physical Health & Social Services	634,685	0	0
Mental Health	0	1,319,996	0
County Environment & Education	152,393	0	139,419
Roads & Transportation	0	0	113,033
Governmental Services to Residents	325,000	0	0
Administrative Services	720,815	0	4,076
Non-program	0	0	3,330
Debt Service	0	0	0
Capital Projects	0	0	0
Total Expenditures	2,831,984	1,319,996	259,858
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,636)	(14,747)	751,663
Other Financing Sources (Uses)			
Sale of Capital Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	(152,261)	0	(718,059)
Proceeds from Capital Lease	0	0	0
Proceeds from Long-Term Debt	0	0	0
Proceeds of Issuance of Stamped Warrants	0	0	0
Total Other Financing Sources (Uses)	(152,261)	0	(718,059)
Net Change in Fund Balances	(211,897)	(14,747)	33,604
Fund Balances – Beginning of Year, As Restated (Note 13)	952,074	157,494	473,906
Increase in Reserve For Inventories	0	0	0
Fund Balances – End of Year	\$740,177	\$142,747	\$507,510

See Notes To Financial Statements

Exhibit E

Special Revenue Secondary Roads	Debt Service	Capital Projects	Non-major Special Revenue	Total
\$ 0	\$ 0	\$ 0	\$410,032	\$3,425,587
0	0	0	0	23,710
1,687,349	0	5,000	260,948	3,343,500
590	0	0	0	4,318
9,850	0	0	141,661	623,015
1,500	0	0	7,054	47,350
35,152	119,324	52,960	200,301	553,359
1,734,441	119,324	57,960	1,019,996	8,020,839
0	0	0	69,339	1,068,430
0	0	0	0	634,685
0	0	0	0	1,319,996
0	0	0	298,029	589,841
2,733,385	0	0	0	2,846,418
0	0	0	9,201	334,201
0	0	0	0	724,891
0	0	0	594,067	597,397
0	119,324	0	0	119,324
184,927	0	215,839	92,304	493,070
2,918,312	119,324	215,839	1,062,940	8,728,253
(1,183,871)	0	(157,879)	(42,944)	(707,414)
136,575	0	0	0	136,575
925,997	208,384	71,659	141,394	1,347,434
0	0	0	(477,114)	(1,347,434)
0	0	0	37,210	37,210
37,919	0	0	0	37,919
0	0	0	622,911	622,911
1,100,491	208,384	71,659	324,401	834,615
(83,380)	208,384	(86,220)	281,457	127,201
1,313,603	0	86,220	686,640	3,669,937
54,069	0	0	0	54,069
\$1,284,292	\$208,384	\$ 0	\$968,097	\$3,851,207

WINNEBAGO COUNTY
Forest City, Iowa

**RECONCILIATION OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
Year Ended June 30, 2004

Net change in fund balances - Total governmental funds (page 15-16) \$181,270

*Amounts reported for governmental activities in the Statement of
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$670,569	
Capital assets contributed by the Iowa Department of Transportation	896,625	
Depreciation Expense	(492,043)	1,075,151

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. (20,035)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds.

Property tax	(564)	
Other	(6,897)	(7,461)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	(698,040)	
Repaid	267,077	(430,963)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	(17,784)	
Interest on long-term debt	5,234	(12,550)

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities

(13,548)

Change in Net Assets of Governmental Activities (page 11)

\$771,864

See Notes to Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

	Internal Service Employee Group Health
<hr/>	
ASSETS	
Cash & Pooled Investments	\$160,935
<hr/>	
NET ASSETS	
Unrestricted	\$160,935
<hr/>	

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa****STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004**

	Internal Service Employee Group Health
Operating Revenues	
Reimbursements from Operating Funds	\$509,632
Reimbursements from Employees	20,602
Total Operating Revenues	530,234
Operating Expenses	
Insurance Premiums	543,782
Net Loss	(13,548)
Net Assets Beginning of Year	174,483
Net Assets End of Year	\$160,935

See Notes To Financial Statements

**WINNEBAGO COUNTY
Forest City, Iowa****STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004**

	Internal Service Employee Group Health
Cash Flows from Operating Activities	
Cash Received from Operating Fund Reimbursements	\$509,632
Cash Received from Employees and Others	20,602
Cash Payments to Suppliers for Services	(543,782)
Net Cash Used in Operating Activities	(13,548)
Cash and Cash Equivalents at Beginning of Year	174,483
Cash and Cash Equivalents at End of Year	\$160,935
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$(13,548)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	0
Net Cash Used in Operating Activities	\$(13,548)

See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

ASSETS

Cash & Pooled Investments	
County Treasurer	\$465,787
Other County Officials	7,734
Receivables	
Property Tax	
Delinquent	1,628
Succeeding Year	7,914,429
Accounts	1,304
Accrued Interest	74
Assessments	200,018
Due From Other Governments	4,760
TOTAL ASSETS	8,595,734

LIABILITIES

Accounts Payable	4,737
Due To Other Governments	8,583,392
Trusts Payable	7,605
TOTAL LIABILITIES	8,595,734

NET ASSETS	\$ 0
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See Notes To Financial Statements

WINNEBAGO COUNTY
Forest City, Iowa

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Winnebago County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are presented in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. REPORTING ENTITY

For financial reporting purposes, Winnebago County has included all funds, organizations, agencies, boards, commissions, and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County.

These financial statements present Winnebago County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

One hundred twenty drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Winnebago County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of these drainage districts can be obtained from the Winnebago County Auditor's office.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The Winnebago County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Winnebago County Assessor's Conference Board and Winnebago County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. BASIS OF PRESENTATION

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the county and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other non-exchange transactions.

The Statement of Net Assets presents the County's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

B. BASIS OF PRESENTATION (CONTINUED)

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the secondary road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the County's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

Additionally, the County reports the followings funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods and services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency funds are used to account for assets held by the county as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units, and/or other funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However principal and interest on long term debt, claims, judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply the cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on a cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable, but has not been collected.

Drainage Assessment Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Infrastructure	30-50
Equipment	2-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. ASSETS, LIABILITIES AND FUND EQUITY (CONTINUED)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as delinquent property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and unspent grant proceeds.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absence liability attributable to the governmental activities will be paid primarily by the General, Mental Health and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded amounts budgeted in the Debt Service and Non-Program functions and disbursements in certain departments exceed the amounts appropriated.

Note 2: Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 3: Due from and Due to Other Funds

The detail of inter-fund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Agency:	
	Auto License and Use Tax	\$8,262

These balances result from the time lag between the dates that inter-fund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Note 4: Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer To	Transfer From	Amount
Special Revenue:		
Secondary Roads	General	\$70,867
Fair Association	General	31,394
Winnebago/Worth BETCO	General	50,000
	Special Revenue:	
Secondary Roads	Rural Services	855,131
Rural Basic	Local Option Sales Tax	70,842
Rural Basic	Tax Increment Financing	66,230
Housing	Solid Waste Management	60,000
Capital Projects	Local Option Sales Tax	116,148
Debt Service	Local Option Sales Tax	96,374
Debt Service	Capital Projects	44,490
Debt Service	Solid Waste Management	67,520
Agency	Agency	
E911 Operating	E911 Surcharge	89,330
Total		<u>\$1,618,326</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Notes to Financial Statements (Continued)

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$701,528	\$ 0	\$ 0	\$701,528
Construction in Progress	86,630	960,049	0	1,046,679
Total Capital Assets not being Depreciated	788,158	960,049	0	1,748,207
Capital Assets being Depreciated:				
Buildings	3,103,462	231,105	57,500	3,277,067
Improvements other than Buildings	412,003	0	0	412,003
Machinery and Equipment	3,042,064	234,503	93,729	3,182,838
Vehicles	1,907,005	81,897	194,389	1,794,513
Infrastructure, Road Network	0	59,640	0	59,640
Total Capital Assets being Depreciated	8,464,534	607,145	345,618	8,726,061
Less Accumulated Depreciation for:				
Buildings	362,762	64,309	45,904	381,167
Improvements other than Buildings	167,468	12,903	0	180,371
Machinery and Equipment	1,745,138	243,533	93,730	1,894,941
Vehicles	1,071,322	171,298	185,949	1,056,671
Total Accumulated Depreciation	3,346,690	492,043	325,583	3,513,150
Total Capital Assets being Depreciated, Net	5,117,844	115,102	20,035	5,212,911
Governmental Activities Capital Assets, Net	\$5,906,002	\$1,075,151	\$20,035	\$6,961,118

Depreciation expense was charged to the following functions:

Governmental Activities	
Public Safety and Legal Services	\$46,031
Physical Health and Social Services	1,827
Mental Health	1,385
County Environment and Education	14,090
Roads and Transportation	342,354
Governmental Services to Residents	10,854
Administration	75,502
Total Depreciation Expense	
– Governmental Activities	<u>\$492,043</u>

Notes to Financial Statements (Continued)

Note 6: Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$3,783
Special Revenue		
Mental Health	Services	91,520
Secondary Roads	Services	18,820
		<u>114,123</u>
Total for governmental funds		<u>\$114,123</u>
Agency:		
Agricultural Extension	Collections	\$108,368
Assessor		165,139
Schools		4,940,271
Area Schools		233,742
Corporations		2,395,824
Auto License & Use Tax		213,641
All Others		526,407
Total for agency funds		<u>\$8,583,392</u>

Note 7: Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$160,785	\$17,784	\$ 0	\$178,569	\$178,569
Drainage Warrants	253,890	622,911	149,850	726,951	0
Drainage Improvement Certificates	38,666	0	8,108	30,558	0
Courthouse Addition Note #1	200,000	0	46,198	153,802	153,802
Courthouse Addition Note #2	215,500	0	49,988	165,512	165,512
Conservation Lease	0	37,210	12,933	24,277	11,881
Secondary Road	0	37,919	0	37,919	12,640
Total	<u>\$868,841</u>	<u>\$715,824</u>	<u>\$267,077</u>	<u>\$1,317,588</u>	<u>\$522,404</u>

Courthouse Improvement

On September 17, 2002, the County entered into an agreement with a local bank on a fixed rate promissory note. The purpose of the note was to fund construction of the Courthouse addition. The note is due on May 7, 2007 with interest at 4.25%. Payments during the year totaled \$119,324. Accelerated payments will be made in fiscal 2005 which will pay the notes in full.

Notes to Financial Statements (Continued)

Note 7: Changes in Long-Term Liabilities (Continued)

Conservation Lease

During the year ended June 30, 2004, the conservation board entered into a lease agreement for a tractor and loader. The following is a schedule of the future minimum lease payments, including interest at 4.25% and the present value of net minimum lease payments under the agreement in effect at June 30, 2004:

<u>Year Ending June 30,</u>	<u>Total</u>
2005	\$12,933
2006	12,933
Total Minimum Lease Payments	25,866
Less: Amount Representing Interest	1,589
Present Value of Net Minimum Lease Payments	<u>\$24,277</u>

Installment Agreements

During the year ended June 30, 2004, the County entered into an installment agreement for rock crushing. The payments are based on a per ton basis. The agreement has no interest. A summary of payments over the life of the agreement is as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2005	\$12,640
2006	12,640
2007	12,639
	<u>\$37,919</u>

Drainage Warrants/Drainage Improvement Certificates Payable

Drainage warrants are warrants which are legally drawn on drainage district funds but are not paid for lack of funds, in accordance with Chapter 74 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented. Warrants will be paid as funds are available.

Drainage improvement certificates payable represent amounts due to purchasers of drainage improvement certificates. Drainage improvement certificates are waivers that provide for a landowner to pay an improvement assessment in installment payments over a designated number of years with interest at a designated interest rate. The improvement certificates representing those assessments or installments due from the landowner are sold for cash as interest bearing certificates. Funds received from the sale of certificates are used to pay outstanding registered warrants issued to contractors who perform work on drainage district improvements and registered warrants issued for other related costs. Drainage improvement certificates are redeemed and interest paid to the bearer of the certificate upon receipt of the installment payment plus interest, from the landowner.

Drainage warrants and drainage improvement certificates are paid from the Special Revenue Fund solely from drainage assessment against benefited properties.

Notes to Financial Statements (Continued)

Note 8: Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$156,484, \$159,144 and \$158,922, respectively, equal to the required contributions for each year.

Note 9: Risk Management

The County carries commercial insurance which provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

The County also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and employee blanket bond. The County assumes liability for any deductibles and claims in excess of coverage limitations. The county assumes responsibility for worker's compensation and employee blanket bond claims in excess of \$500,000 and \$50,000, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10: Employee Health Insurance

The Internal Service, Employee Group Health was established to account for the funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the agreement with Wellmark monthly payments of premiums are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2004 was \$509,632.

Note 11: Related Party Transaction

No material business transactions between the County and County officials or employees were noted.

Notes to Financial Statements (Continued)

Note 12: Budget Over Expenditures

Per the Code of Iowa, disbursements may not legally exceed amount budgeted by function or amounts appropriated by department. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the Debt Service and Non-Program Functions and disbursements in certain departments exceeded the amounts appropriated.

Note 13: Accounting Change

Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statements Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences* were implemented during the fiscal year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major special revenue funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

Net assets, June 30, 2003, as previously reported	\$3,634,243
GASB Interpretation 6 Adjustments	<u>35,694</u>
Net assets, July 1, 2003, as restated for governmental funds	3,669,937
GASB 34 Adjustments:	
Capital assets, net of accumulated depreciation of \$3,346,690	5,906,002
Internal Service Fund	174,483
Long-Term Liabilities	(875,819)
Deferral of Long-Term Assets	<u>79,197</u>
Net Assets, July 1, 2003 as restated	<u>\$8,953,800</u>

WINNEBAGO COUNTY
Forest City, Iowa

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004**

	Actual	Less Funds Not Required to Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
RECEIPTS						
Property & Other County Tax	\$3,430,973	\$ 0	\$3,430,973	\$3,332,382	\$3,332,382	\$98,591
Interest & Penalty on Property Tax	22,765	0	22,765	12,250	12,250	10,515
Intergovernmental	3,202,614	0	3,202,614	3,411,501	3,411,501	(208,887)
Licenses & Permits	4,797	0	4,797	5,380	5,380	(583)
Charges for Services	647,993	0	647,993	474,700	474,700	173,293
Use of Money & Property	47,933	0	47,933	108,881	108,881	(60,948)
Miscellaneous	604,378	195,918	408,460	130,000	135,000	273,460
Total Receipts	7,961,453	195,918	7,765,535	7,475,094	7,480,094	285,441
DISBURSEMENTS						
Public Safety & Legal Services	1,073,289	0	1,073,289	1,149,349	1,154,349	81,060
Physical Health & Social Services	634,238	0	634,238	648,642	668,142	33,904
Mental Health	1,326,761	0	1,326,761	1,341,026	1,341,026	14,265
County Environment & Education	598,142	0	598,142	764,889	778,889	180,747
Roads & Transportation	2,674,625	0	2,674,625	3,179,000	3,179,000	504,375
Governmental Services to Residents	336,992	0	336,992	372,426	372,426	35,434
Administrative Services	715,833	0	715,833	773,628	785,128	69,295
Non-Program	894,407	824,848	69,559	6,630	6,630	(62,929)
Debt Service	119,324	0	119,324	0	120,000	676
Capital Projects	456,669	0	456,669	519,000	529,000	72,331
Total Disbursements	8,830,280	824,848	8,005,432	8,754,590	8,934,590	929,158
Excess (Deficiency) of Receipts Over (Under) Disbursements	(868,827)	(628,930)	(239,897)	(1,279,496)	(1,454,496)	1,214,599
Other Financing Sources, Net	759,486	622,911	136,575	130,000	130,000	6,575
Excess (Deficiency) of Receipts & Other Financing Sources Over (Under) Disbursements & Other Financing Uses	(109,341)	(6,019)	(103,322)	(1,149,496)	(1,324,496)	1,221,174
Balance Beginning of Year	3,379,248	137,848	3,241,400	2,618,432	2,618,432	622,968
Balance End of Year	\$3,269,907	\$131,829	\$3,138,078	\$1,468,936	\$1,293,936	\$1,844,142

See Accompanying Independent Auditors' Report

WINNEBAGO COUNTY
Forest City, Iowa

BUDGET COMPARISON SCHEDULE –
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$7,961,453	\$59,386	\$8,020,839
Expenditures	8,830,280	(102,027)	8,728,253
Net	(868,827)	161,413	(707,414)
Other Financing Sources, Net	759,486	75,129	834,615
Beginning Fund Balances	3,379,248	290,689	3,669,937
Increase in Reserve For:			
Inventories	0	54,069	54,069
Ending Fund Balances	\$3,269,907	\$581,300	\$3,851,207

See Accompanying Independent Auditors' Report

**Winnebago County
Forest City, Iowa**

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriation lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$180,000. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for the E911 System by the Joint E911 Service Board.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the Debt Service and Non-Program functions and disbursements in certain departments exceeded the amounts appropriated.

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2004

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction
ASSETS				
Cash & Pooled Investments	\$8,659	\$8,268	\$29,440	\$22,725
Receivables				
Property Tax				
Succeeding Year	0	0	0	0
Accounts	0	674	0	0
Accrued Interest	3	5	0	15
Drainage Assessments	0	0	0	0
Due from Other Governments	0	0	0	0
TOTAL ASSETS	\$8,662	\$8,947	\$29,440	\$22,740
LIABILITIES & FUND EQUITY				
Liabilities				
Accounts Payable	\$215	\$ 0	\$ 36	\$ 0
Interest Payable	0	0	0	0
Salaries & Benefits Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	215	0	36	0
Fund Equity				
Fund Balance				
Unreserved	8,447	8,947	29,404	22,740
TOTAL LIABILITIES & FUND EQUITY	\$8,662	\$8,947	\$29,440	22,740

See Accompanying Independent Auditors' Report

Schedule 1

Local Option Sales Tax	Tax Increment Financing	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Monument Trust Fund	Fair Association	WinnWorth BETCO	Housing Commission	LHAP	Solid Waste Management	Community Empowerment	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Emergency	Drainage	Total
\$ 4	\$ 0	\$7,238	\$6,507	\$8,428	\$21,869	\$8,596	\$30,940	\$ 347	\$88,389	\$ 200	\$7,180	\$ 0	\$135,465	\$ 15	\$4,973	\$400,210	\$72,185	\$131,829	\$993,467
0	123,920	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	123,920
0	0	0	0	97	1,096	0	1,500	0	0	0	0	0	0	0	0	0	0	0	3,367
0	0	0	3	4	14	6	0	0	0	0	3	61	148	0	0	452	0	0	714
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	36,323	36,323
18,562	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18,562
\$18,566	\$123,920	\$7,238	\$6,510	\$8,529	\$22,979	\$8,602	\$32,440	\$ 347	\$88,389	\$ 200	\$7,183	\$ 61	\$135,613	\$ 15	\$4,973	\$400,662	\$72,185	\$168,152	\$1,176,353
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 203	\$ 0	\$ 0	\$1,374	\$ 0	\$ 0	\$ 0	\$1,687	\$ 0	\$2,500	\$ 0	\$ 0	\$1,659	\$7,674
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40,332	40,332
0	0	0	0	0	0	0	0	0	7	0	0	0	0	0	0	0	0	0	7
0	123,920	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	36,323	160,243
0	123,920	0	0	0	0	203	0	0	1,381	0	0	0	1,687	0	2,500	0	0	78,314	208,256
18,566	0	7,238	6,510	8,529	22,979	8,399	32,440	347	87,008	200	7,183	61	133,926	15	2,473	400,662	72,185	89,838	968,097
\$18,566	\$123,920	\$7,238	\$6,510	\$8,529	\$22,979	\$8,602	\$32,440	\$ 347	\$88,389	\$ 200	\$7,183	\$ 61	\$135,613	\$ 15	\$4,973	\$400,662	\$72,185	\$168,152	\$1,176,353

WINNEBAGO COUNTY
Forest City, Iowa

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR SPECIAL REVENUE FUNDS
Year Ended June 30, 2004**

	Resource Enhancement & Protection	County Recorder's Records Management	Conservation Land Acquisition Trust	County Recorder's Electronic Transaction
Revenues				
Property and Other County Tax	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	9,349	0	5,806	0
Charges for Services	0	3,999	369	22,689
Use of Money and Property	14	67	0	51
Miscellaneous	0	0	24,384	0
Total Revenues	9,363	4,066	30,559	22,740
Expenditures				
Operating				
Public Safety and Legal Services	0	0	0	0
County Environment and Education	6,996	0	0	0
Governmental Services to Residents	0	9,201	0	0
Non-Program	0	0	0	0
Capital Projects	0	0	92,304	0
Total Expenditures	6,996	9,201	92,304	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,367	(5,135)	(61,745)	22,740
Other Financing Sources (Uses)				
Proceeds of Issuance of Stamped Warrants	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Proceeds from Capital Lease	0	0	37,210	0
	0	0	37,210	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under)	2,367	(5,135)	(24,535)	22,740
Fund Balances – Beginning of Year	6,080	14,082	53,939	0
Fund Balances – End of Year	\$8,447	\$8,947	\$29,404	\$22,740

See Accompanying Auditor's Report

Schedule 2

Local Option	Tax Increment	Seizure	DARE	Jail Phone Account	Board Prisoners	Sheriff's Reserve	Monument Trust Fund	Fair Association	WinnWorth BETCO	Housing Commission	LHAP	Solid Waste Management	Community Empowerment	Employee Health & Wellness	EMS Training/ Ambulance	County Home Trust	Emergency	Drainage	Total
\$277,656	\$132,376	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$410,032
0	83	0	0	0	0	0	0	0	50,000	0	60,000	0	90,760	0	44,950	0	0	0	260,948
0	0	0	0	2,270	10,362	0	0	0	0	0	0	99,212	0	0	2,760	0	0	0	141,661
0	0	0	30	39	108	182	0	0	0	0	159	238	1,178	0	0	4,988	0	0	7,054
0	0	0	1,816	0	0	11,609	32,440	0	1,800	200	0	0	926	0	0	0	0	127,126	200,301
277,656	132,459	0	1,846	2,309	10,470	11,791	32,440	0	51,800	200	60,159	99,450	92,864	0	47,710	4,988	0	127,126	1,019,996
0	0	0	703	3,875	0	13,056	0	0	0	0	0	0	0	0	51,705	0	0	0	69,339
0	0	0	0	0	0	0	0	31,469	68,119	60,000	60,000	0	71,445	0	0	0	0	0	298,029
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,201
0	66,229	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	527,838	594,067
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	92,304
0	66,229	0	703	3,875	0	13,056	0	31,469	68,119	60,000	60,000	0	71,445	0	51,705	0	0	527,838	1,062,940
277,656	66,230	0	1,143	(1,566)	10,470	(1,265)	32,440	(31,469)	(16,319)	(59,800)	159	99,450	21,419	0	(3,995)	4,988	0	(400,712)	(42,944)
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	622,911	622,911
0	0	0	0	0	0	0	0	31,394	50,000	60,000	0	0	0	0	0	0	0	0	141,394
(283,364)	(66,230)	0	0	0	0	0	0	0	0	0	0	(127,520)	0	0	0	0	0	0	(477,114)
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	37,210
(283,364)	(66,230)	0	0	0	0	0	0	31,394	50,000	60,000	0	(127,520)	0	0	0	0	0	622,911	324,401
(5,708)	0	0	1,143	(1,566)	10,470	(1,265)	32,440	(75)	33,681	200	159	(28,070)	21,419	0	(3,995)	4,988	0	222,199	281,457
24,274	0	7,238	5,367	10,095	12,509	9,664	0	422	53,327	0	7,024	28,131	112,507	15	6,468	395,674	72,185	(132,361)	686,640
\$18,566	\$ 0	\$7,238	\$6,510	\$8,529	\$22,979	\$8,399	\$32,440	\$347	\$87,008	\$ 200	\$7,183	\$ 61	\$133,926	\$ 15	\$2,473	\$400,662	\$72,185	\$89,838	\$968,097

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
ASSETS				
Cash & Pooled Investments				
County Treasurer	\$ 0	\$1,310	\$50,146	\$62,099
Other County Officials	7,734	0	0	0
Receivables				
Property Tax				
Delinquent	0	17	18	787
Succeeding Year	0	106,985	115,188	4,874,784
Accounts	139	0	0	0
Accrued Interest	0	0	0	0
Assessments	0	0	0	0
Due from Other Governments	0	56	60	2,601
TOTAL ASSETS	\$7,873	\$108,368	\$165,412	\$4,940,271

LIABILITIES

Liabilities				
Accounts Payable	\$ 0	\$ 0	\$273	\$ 0
Due to Other Governments	268	108,368	165,139	4,940,271
Trusts Payable	7,605	0	0	0
TOTAL LIABILITIES	\$7,873	\$108,368	\$165,412	\$4,940,271

See Accompanying Independent Auditors' Report

Schedule 3

Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$2,968	\$10,722	\$1,872	\$3,540	\$213,641	\$119,489	\$465,787
0	0	0	0	0	0	7,734
36	754	0	0	0	16	1,628
230,618	2,382,506	101,120	0	0	103,228	7,914,429
0	0	0	0	0	1,165	1,304
0	0	0	0	0	74	74
0	0	14,614	185,404	0	0	200,018
120	1,842	27	0	0	54	4,760
\$233,742	\$2,395,824	\$117,633	\$188,944	\$213,641	\$224,026	\$8,595,734
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$4,464	\$4,737
233,742	2,395,824	117,633	188,944	213,641	219,562	8,583,392
0	0	0	0	0	0	7,605
\$233,742	\$2,395,824	\$117,633	\$188,944	\$213,641	\$224,026	\$8,595,734

WINNEBAGO COUNTY
Forest City, Iowa

COMBINING SCHEDULE OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor
Assets and Liabilities			
Balances – Beginning of Year	\$5,868	\$109,621	\$171,144
Additions			
Property and Other County Tax	0	107,006	115,210
E911 Surcharge	0	0	0
State Tax Credits	0	6,926	7,673
Office Fees and Collections	307,358	0	0
Electronic Transaction Fees	0	0	0
Auto License, Use Tax and Postage	0	0	0
Assessments	0	0	0
Trusts	651,139	0	0
Miscellaneous	0	66	2,162
Total Additions	958,497	113,998	125,045
Deductions			
Agency Remittance			
To Other Funds	116,412	0	0
To Other Governments	686,344	115,251	130,777
Trusts Paid Out	153,736	0	0
Total Deductions	956,492	115,251	130,777
Balances – End of Year	\$7,873	\$108,368	\$165,412

See Accompanying Independent Auditors' Report

Schedule 4

Schools	Area Schools	Corporations	Townships	City Special Assessments	Auto License & Use Tax	Other	Total
\$5,106,385	\$248,297	\$2,239,564	\$121,060	\$215,961	\$248,866	\$228,212	\$8,694,978
4,866,259	230,660	2,380,164	101,853	0	0	103,248	7,904,400
0	0	0	0	0	0	69,099	69,099
331,278	15,681	150,858	5,329	0	0	6,441	524,186
0	0	0	0	0	0	0	307,358
0	0	0	0	0	0	15,380	15,380
0	0	0	0	0	2,602,353	0	2,602,353
0	0	0	1,355	39,510	0	0	40,865
0	0	0	0	0	0	23,870	675,009
3,015	149	0	78	0	0	31,988	37,458
5,200,552	246,490	2,531,022	108,615	39,510	2,602,353	250,026	12,176,108
0	0	0	0	0	85,084	0	201,496
5,366,666	261,045	2,374,762	112,042	66,527	2,552,494	229,338	11,895,246
0	0	0	0	0	0	24,874	178,610
5,366,666	261,045	2,374,762	112,042	66,527	2,637,578	254,212	12,275,352
\$4,940,271	\$233,742	\$2,395,824	\$117,633	\$188,944	\$213,641	\$224,026	\$8,595,734

WINNEBAGO COUNTY
Forest City, Iowa

STATEMENT OF REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Two Years

	Modified Accrual Basis	
	2004	2003
Revenues		
Property and Other County Tax	\$3,425,587	\$3,207,833
Interest and Penalty on Property Tax	23,710	25,627
Intergovernmental	3,343,500	3,249,146
Licenses and Permits	4,318	5,437
Charges for Service	623,015	532,835
Use of Money and Property	47,350	77,013
Miscellaneous	553,359	485,504
Total	<u>\$8,020,839</u>	<u>\$7,583,395</u>
Expenditures		
Current		
Public Safety and Legal Services	\$1,068,430	\$947,793
Physical Health and Social Services	634,685	595,080
Mental Health	1,319,996	1,425,307
County Environment and Education	589,841	292,896
Roads and Transportation	2,846,418	3,205,298
Government Services to Residents	334,201	716,100
Administrative Services	724,891	2,848
Non-Program	597,397	812,449
Debt Service	119,324	0
Capital Projects	493,070	936,125
Total	<u>\$8,728,253</u>	<u>\$8,933,896</u>

See Accompanying Independent Auditors' Report

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting

To the Officials of Winnebago County
Forest City, Iowa

We have audited the financial statements of Winnebago County, Forest City, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated May 5, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Winnebago County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved, except for items (1) and (2).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winnebago County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Winnebago County's ability to record, process, summarize and report financial data consistent with the assertions of

management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item A is a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Winnebago County and other parties to whom Winnebago County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Winnebago County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

May 5, 2005

WINNEBAGO COUNTY
Forest City, Iowa

Schedule of Findings
Year Ended June 30, 2004

Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were reported.

REPORTABLE CONDITIONS

- A **SEGREGATION OF DUTIES** – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties form a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, County Officials should review the operating procedures of each office to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling function currently performed by each office will separate and spread among the County Official, Deputy and Clerk.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting

1. **Official Depositories** – A resolution naming official depositories has been approved by the County. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004, except for the Sheriff's deposits at Titonka Savings Bank.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response- We will increase the maximum amount to be deposited to be in compliance.

Conclusion – Response accepted.

2. **Certified Budget** – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the Debt Service Function and Non-Program Function. Disbursements in certain departments exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolutions, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

WINNEBAGO COUNTY

Schedule of Findings Year Ended June 30, 2004

Response – We will amend the budgets when required. The appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

3. **Questionable Expenditures** – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
4. **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
5. **Business Transactions** – No material business transaction between the County and County officials or employees were noted.
6. **Bond Coverage** – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to insure that the coverage is adequate for current operations.
7. **Board Minutes** – No transactions were found that we believe should have been approved in the minutes but were not.
8. **Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
9. **Resource Enhancement and Protection Certification** – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19 (1)(b) of the Code of Iowa in order to receive additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
10. **Economic Development** – During the year ended June 30, 2004, the County paid \$68,527 to various agencies for economic development for which the public purpose was clearly defined.
11. **County Extension Office** – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

News Release

Gardiner Thomsen, P.C. today released an audit report on Winnebago County, Iowa.

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

Gardiner Thomsen, P.C. reported that the County had local tax revenue of \$13,228,980 for the year ended June 30, 2004, which included \$707,993 in tax credits from the State. The County then forwarded \$8,468,881 of the local tax revenue to the townships, school districts, cities, and other taxing bodies in the County.

The County retained \$4,760,099 of the local tax revenue to finance County operations, a 42% increase from the prior year. Other revenues included charges for service of \$1,180,994, operating grants, contributions and restricted interest of \$2,983,888, unrestricted investment earnings of \$41,134 and other general revenues of \$305,191.

Expenses for the County operations totaled \$8,283,663, a 7% decrease from the prior year. Expenses included \$2,723,688 for Roads and Transportation, \$1,321,407 for Mental Health, and \$1,112,790 for Public Safety and Legal Services.

The significant increase in revenues is due primarily to property taxes and the significant decrease in expenses is due primarily to Roads and Transportation and Government Service to Residents expenditures. A copy of the audit report is available for review in the office of the Auditor of State and the Winnebago County Auditor's office.

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